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September 25, 2006

Charles L.A. Terreni, Esquire
Chief Clerk and Administrator
Public Service Commission of South Carolina
101 Executive Center Dr., Suite 100

RECEIVED
SEP 26 11:40
SC PUBLIC SERVICE
COMMISSION

Re: Docket No. 1997-239-C Clarification on Lifeline income based criteria

Dear Mr. Terreni:

The Office of Regulatory Staff ("ORS") is seeking clarification from the South Carolina Public Service Commission "Commission" that net income as opposed to gross income may be used as the qualifying criteria for establishing Lifeline eligibility at 125% of poverty in BellSouth territory.

Background

Pursuant to the settlement agreement filed May 19, 2004 in the Court of Common Pleas between the Consumer Advocate and BellSouth ("Agreement"), BellSouth may provide Lifeline credits to qualifying BellSouth subscribers who are at or below 125% Federal Poverty Guidelines. ORS sought and received authorization from the Commission to utilize USF monies to increase awareness of the Lifeline and Link-up programs available within South Carolina to qualify households with incomes at or below 125% of Federal Poverty Guidelines. However, the Agreement does not specify whether end users qualify for the Lifeline credit based on gross income or net income.

47 C.F.R. § 54.409(a) provides that "[t]o qualify to receive Lifeline service in a state that mandates state Lifeline support, a consumer must meet the eligibility criteria **established by the state commission** (emphasis added) for support. The state commission shall establish narrowly targeted qualification criteria that are based solely on income or factors directly related to income. ..." Because South Carolina is a state that has mandated state Lifeline support, the Commission has the authority under federal regulations to establish the eligibility criteria.

Approach

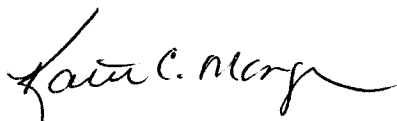
In an effort to provide outreach services, the ORS is coordinating with other agencies to promote Lifeline and Link-up to all eligible citizens of South Carolina. One of the agencies ORS is partnering with is the South Carolina Governor's Office – Office of Economic Opportunity ("OEO"). In working with the Governor's Office OEO, the ORS has become aware that OEO uses **net income** as the qualifying criteria in determining eligibility for programs such as Community Services Block Grant ("CSBG") and the Low-Income Home Energy Assistance Program ("LIHEAP"). For purposes of determining eligibility for these programs, "net income" is defined as the income remaining after federal, state, and FICA taxes and retirement deductions. (See Attachment A).

Because the Settlement Agreement between BellSouth and the Consumer Advocate does not specify whether end users qualify for the Lifeline credit based on gross income or net income, ORS seeks clarification from the Commission that net income as opposed to gross income may be used as the qualifying criteria for eligibility for Lifeline credits. Because the Governor's Office OEO utilizes net income to qualify citizens for certain benefits, ORS respectfully offers that the use of the same qualifying criteria will aid in administering Lifeline credits and will comport with the purpose of the Lifeline support and USF support. Further, a pronouncement from the Commission that net income is acceptable qualifying criteria will comply with federal regulations. BellSouth has indicated that it does not oppose this request.

ORS continues to utilize its partnership with the Office of Research and Statistical Services to provide verification for the companies regarding Lifeline eligibility. ORS verifies the income levels as documented by the customers and uploads eligible customers in the database housed at Research and Statistical Services. The telephone companies then match their Lifeline subscribers against this database to ensure compliance. Much of this process is documented in the Memorandum of Agreement as Attachment B.

We look forward to your expeditious review and approval of this request to clarify the qualifying criteria for Lifeline eligibility for BellSouth territory.

Sincerely,

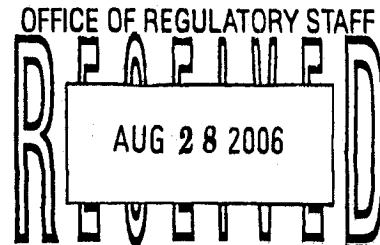
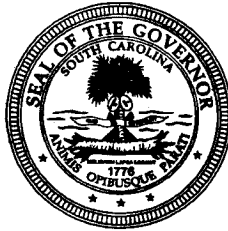
A handwritten signature in black ink, appearing to read "Katie C. Morgan". The signature is fluid and cursive, with a long, sweeping underline.

Katie Morgan

enclosures

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80 PUBLIC SERVICE
COMMISSION

ATTACHMENT A



State of South Carolina
Office of the Governor

MARK SANFORD
GOVERNOR

OFFICE OF EXECUTIVE
POLICY AND PROGRAMS

August 23, 2006

Ms. Elizabeth Ford
Office of Regulatory Staff
Lifeline Intake Manager
1441 Main Street, Ste. 300
Columbia, SC 29201

Dear Elizabeth:

Per your request, the Office of Economic Opportunity (OEO) currently uses the 2006 Federal Poverty Guidelines (FPG) issued by the U.S. Department of Health and Human Services as published in the Federal Register. The FPG requirement for the Community Services Block Grant (CSBG) and the Weatherization Assistance Program (WAP) is federally mandated at 125% and for the Low-Income Home Energy Assistance Program (LIHEAP), we permit 150%.

As I mentioned, as a result of the significant increases this year in home energy costs, medical costs and other life essentials, our CSBG and LIHEAP funding sources recently agreed that net income provides a more realistic picture of the few dollars sustaining most clients after taxes. Now, when determining client eligibility for our two largest programs CSBG and LIHEAP, the client's "net" income is calculated. We no longer use the "gross" income.

For these programs, "net" is defined as the income remaining after federal, state and FICA taxes and retirement deductions.

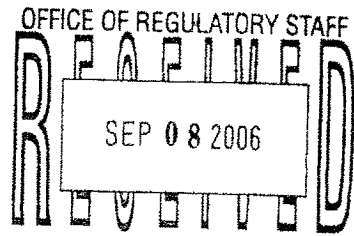
We are excited about partnering with you and the S.C. Association of CAP to promote the Lifeline Program. If you have any questions, call me at (803) 734-0672.

Sincerely,

Rosalie Smith
Senior Manager for LIHEAP

c: Jessica McMoore, Executive Director, SC Association of CAP
Ashlie Lancaster, OEO Director
OEO Staff
2006 LIHEAP Control File

ATTACHMENT B



MEMORANDUM OF UNDERSTANDING
BETWEEN
SOUTH CAROLINA OFFICE OF REGULATORY STAFF
AND
SOUTH CAROLINA OFFICE OF RESEARCH AND STATISTICS
FOR THE PROVISION OF THE LIFELINE PROGRAM

This Memorandum Of Understanding ("MOU") is entered into as of the first day of July 2006, by and between the South Carolina Office of Regulatory Staff, 1441 Main Street, Suite 300, Columbia, South Carolina, 29201, hereinafter referred to as "ORS", and the South Carolina Office of Research and Statistics, 1919 Blanding Street, Columbia, South Carolina, 29201, hereinafter referred to as "ORSS". ORS and ORSS are collectively referred to as "the Parties."

A. INTRODUCTION

ORS assists in administering the Lifeline and Link-up program ("Lifeline Program") which provides monetary assistance to low-income households for the installation and monthly usage of landline telephones. Applicants to the Lifeline Program are eligible if they currently receive assistance via any of the following: Medicaid, food stamps or Family Independence. In addition, applicants who are BellSouth customers, have an additional avenue of eligibility if income is at or below 125% of the federal poverty level guidelines.

BellSouth customers who believe their income qualifies for the Lifeline Program need only submit proof of income for eligibility via an "Application/Verification for Lifeline Assistance *Based on Household Income*." (Emphasis added.) ORS administers and verifies the applications submitted by BellSouth customers. Once an applicant is verified as being eligible, it submits the appropriate information to the ORSS. The ORSS then compiles the applicant eligibility information it receives from ORS into a reviewable database available for review by BellSouth. This MOU is intended to clarify the applicant income eligibility information provided from ORS to the ORSS to assist BellSouth in maintaining an accurate list of BellSouth customers eligible for the Lifeline Program.

B. SCOPE OF SERVICES

1. ORS agrees to provide applicant eligibility information to ORSS for ORSS to maintain an accurate list of BellSouth customers eligible for the Lifeline Program.

2. The format of data files to be exchanged between ORS and ORSS setting forth eligibility for BellSouth customer applicants is shown in Attachment A. The file contains sensible private information and has to be password protected. The frequency of data files to be exchanged between the Parties is to be monthly, occurring at the beginning of each month.
3. ORS agrees to retain in its records a fully executed Application/Verification for Lifeline Assistance Based on Household Income (Last updated 2/2005 and shown in Attachment B for illustration purposes) for each individual eligible for the Lifeline Program.
4. ORSS agrees to put forth the data files received from ORS in such a manner that BellSouth may review BellSouth customer eligibility.

C. EFFECTIVE DATE

This MOU shall be effective July 1, 2006 and reviewed annually.

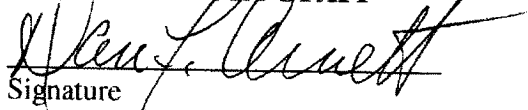
D. TERMS AND CONDITIONS

1. ORS and ORSS agree not to release applicant information for any other purposes except for those reasons set forth in the above scope of services.
2. No modification, amendment, supplement to, or waiver of this MOU or any of its provisions shall be binding upon the Parties hereto unless made in writing and duly signed by both Parties, except that Attachment A and Attachment B may be modified without a signed writing.
3. A failure or delay of either Party to this MOU to enforce at any time any of the provisions of this MOU, or to exercise any option which is herein provided, or to require at any time performance of any of the provisions hereof, shall in no way be construed to be a waiver of such provisions of this MOU.
4. This MOU constitutes the entire agreement between the Parties for the transfer of the information referenced herein for the purpose described herein and supersedes all previous agreements, promises, proposals, representations, understandings, and negotiations, whether written or oral, between the Parties respecting said information.
5. Each Party pledges in good faith to go forward with this MOU and to further the goals and purposes of this MOU, subject to the terms and conditions of this MOU. The Parties shall attempt to resolve disputes through good faith discussions.

6. Neither Party shall be liable for any failure or delay in performance under this MOU to the extent said failures or delays are proximately caused by causes beyond that Party's reasonable control and occurring without its fault or negligence to substantially meet its performance obligations under this MOU, provided that, as a condition to the claim of nonliability, the Party experiencing the difficulty shall give the other prompt written notice, with full details following the occurrence of the cause relied upon. Dates by which performance obligations are scheduled to be met will be extended for a period of time equal to the time lost due to any delay so caused.
7. This MOU shall be governed by and interpreted in accordance with the laws of the State of South Carolina under the jurisdiction of the State of South Carolina.
8. In the event of the desire on the part of either Party to terminate this MOU, the Party terminating the MOU shall give notice of such termination in writing to the other Party. Notice of such termination shall be sent by certified mail, return receipt requested, and shall be effective thirty (30) days after the date of receipt, unless otherwise provided by law.

IN WITNESS WHEREOF, ORS and the ORSS, by its authorized agents, in consideration of the mutual promises, covenants and conditions exchanged between them, have executed this MOU to be effective July 1, 2006.


**SOUTH CAROLINA OFFICE
OF REGULATORY STAFF**


Signature

Dan F. Arnett
Printed Name

7/17/06
Date

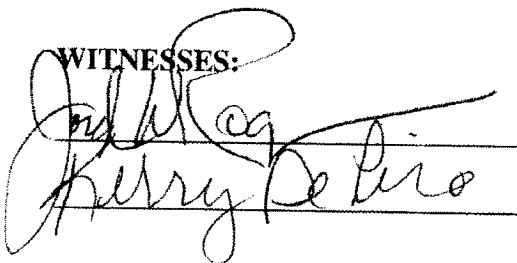
**SOUTH CAROLINA OFFICE OF
RESEARCH AND STATISTICS**


Signature

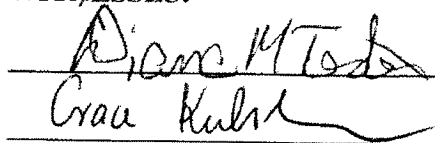
W P Bailey
Printed Name

9-6-06
Date

WITNESSES:


Kerry De Leo

WITNESSES:


Graa Kuhl